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NATIONAL FUEL GAS SUPPLY CORPORATION

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RSPA-98-4868-15

Legal Department

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C7163 657-7949

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FEDERAL EXPRESS

Department of Transportation
Dockets Unit
Room 8417
Research and Special Programs Administration
U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

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RE: Docket No. PS-122, Notice 1
Comments of National Fuel Gas Supply Corporation

Dear Sir or Madam:

National Fuel Gas Supply Corporation ("**National**") submits the following comments in response to the Notice of Proposed Rulemaking ("**NOPR**") issued by the Research and Special Programs Administration ("**RSPA**") concerning the definition of "gathering **line**".

National is an interstate pipeline company subject to the jurisdiction of the Federal Energy Regulatory Commission ("**FERC**") with transmission and storage facilities in western New York and western Pennsylvania. National also operates 1365 miles of gathering pipeline in this area. These gathering lines are used primarily to gather its own production, but many also carry gas produced by independent producers.

RSPA proposes to redefine the term "gathering **line**" so as to more clearly describe the beginning and end points of gathering facilities, which are not subject to the Federal gas pipeline safety standards ("**DOT safety code**") when located in rural locations that lie outside of populated areas. RSPA proposes to define gathering in relation to gas processing plants, points of custody transfer, and points of commingling of gas from the same or adjacent production fields. RSPA believes that its definition is more in the nature of a clarification of its jurisdiction, and should not require a large number of gathering lines to be reclassified as transmission lines.

In National's case, however, adoption of **RSPA's** proposed definition would appear to subject 1184 miles (or 87%) of its now-exempt gathering system to the DOT safety code. This is due to the following:

- 1) The preponderant share of National's gathering system carries gas that is not later subjected to the removal of natural gas liquids. **"Processing plants"** are the exception rather than the rule in the Appalachian production region.
- 2) Most of National's gathering systems accept gas from independent producers at points far upstream of the distribution or transmission facilities they feed. Under **RSPA's** definitions, where gas processing is not involved, any point downstream of a point of custody transfer would have to be reclassified as gathering.

Reclassification of 1184 miles of gathering facilities would have a severe impact on National and its customers. National estimates that it would cost approximately \$120 million to bring these facilities up to the standards of the DOT safety code.

The typical gathering system operated by National is a web-like system of small-diameter (2-8 inches), low pressure (60 psig and under) lines feeding a central compressor station that pumps gas into transmission or storage facilities. Although the removal of natural gas liquids generally does not occur at these stations, these central compressor stations are the logical end points of the gathering systems that feed them, and have been used as such by National for both FERC and US DOT regulatory requirements for many years. To the best of National's knowledge, the pipelines within these systems have never been subject to a dispute with enforcement personnel over the applicability of the DOT safety code.

If RSPA goes forward with its proposal to adopt a more logistic definition of gathering, National would urge that **§192.3(1)** be modified to establish central compressor stations as the end point of gathering systems that feed such stations.

A smaller but still significant number of gathering systems; operated by National feed directly into distribution systems, without requiring processing or compression. These systems; are generally smaller than those feeding central compressors in terms of the number of wells attached and length of pipe involved, but are similar in terms of pipe diameter and pressure. Nonetheless, the proposed definitions would subject many of these facilities to the DOT safety code, because it would exclude any facility downstream of a point of custody transfer. Thus, while an independent producer's well line that feeds into National's gathering line would continue to be exempt because it is upstream of the purchase meter, everything downstream on National's system would be reclassified as transmission merely because of the existence of the purchase meter. Clearly, the existence of such purchase meters amidst a gathering system does not give rise to any safety-related concern, and should not result in reclassification of all downstream gathering facilities. National urges RSPA to clarify that purchase meters located within a production field do not subject downstream facilities to the DOT safety code.

National also recommends revision to **§192.3(2)** to clarify that "**others** who transport [gas] by pipeline to . . . a distribution **center**" includes the facilities of the distribution companies themselves. For example, a line connecting a single well to a distribution pipeline would then clearly remain exempt as it would be upstream of a point of custody transfer.

Even with these suggested modifications, a definition of gathering based on logistics alone may exclude some rural facilities that pose no particular threat to public safety. For this reason, RSPA should establish diameter and pressure thresholds for transmission facilities. Rural pipelines not meeting these thresholds would remain classified as gathering regardless of their configuration with respect to compressors, processing plants, or points of custody transfer or commingling. National submits that pipelines currently classified as gathering of **8-inch** or lesser diameter operating below 125 psig should maintain their gathering status regardless of how they fare under the logistical definition proposed by RSPA. In New York, 125 psig is the threshold that determines when a pipeline becomes subject to the jurisdiction of the Public Service Commission of the State of New York under Article VII of the New York Public Service Law.

National also recommends that RSPA not adopt its proposal to exclude from the definition of gathering any facilities subject to the jurisdiction of the Federal Energy Regulatory Commission. If adopted, this exclusion would create considerable confusion and undermine **RSPA's** desire to establish clear limits to the scope of the DOT safety code. The **FERC's** approach to "**gathering**" involves a subjective balancing of various characteristics, and this approach has changed considerably over the years. Depending upon the outcome of **pending** proceedings, gathering facilities may be subject to FERC jurisdiction for some purposes (i.e., rates) and not others (i.e., certification). A pressure/diameter threshold would establish a much clearer line between gathering and transmission.

In response to the specific questions posed by RSPA in the **NOPR**, National submits the following:

Question No. 1

"**RSPA** seeks comment on how many miles of pipeline currently classified as gathering lines would have to be reclassified as transmission **lines.**" (56 FR 48509)

Answer No. 1

Adoption of the proposed definition would seem to require National to reclassify 1184 miles of its 1365 miles of gathering lines to transmission.

Question No. 2

"**Have** these pipelines been the subject of dispute, between the pipeline operator and state and federal enforcement **personnel?**" (56 FR 48509)

Answer No. 2

National is not aware of any dispute between National and enforcement personnel over the classification of any of these pipelines.

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Question No. 3

RSPA also seeks comments on any costs associated with reclassification. (56 FR 48509)

Answer No. 3

National estimates that reclassification of 1184 miles of gathering plant would entail an expenditure of approximately \$120 million.

In summary, National would urge RSPA not to adopt its proposed definition of "gathering **line**", unless it incorporates the modifications proposed above.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David W. Reitz". The signature is fluid and cursive, with the first name "David" being the most prominent.

David W. Reitz
Senior Attorney

smd

cc: J. A. Graham
J. O. Monroe
J. H. Samonsky